



*United States Attorney
Southern District of New York*

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**FORMER BRONX HOUSING PROJECT MANAGING AGENT
AGREES TO PAY CIVIL DAMAGES FOR MISUSE OF PROJECT FUNDS**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced today that Unidos, Inc., the former managing agent of the Jose DeDiego Beekman housing projects ("Beekman Projects") located in the Mott Haven section of the Bronx, has agreed to pay over \$690,000 to settle alleged equity skimming violations involving the misuse of the projects' funds. The alleged misuse of project funds was revealed in an audit by the Inspector General's Office at the Department of Housing and Urban Development ("HUD").

The Beekman Projects consist of eight separate housing projects with over 1,200 apartments for low-income tenants. HUD had insured the mortgages on the Beekman Projects and entered into regulatory agreements with the project owners that restricted Unidos' use of project funds for other than operating expenses of the Beekman Projects. In 1997, HUD took over the Beekman Projects when the owners defaulted on six of the eight

HUD-insured mortgages. The Inspector General's audit found violations of the National Housing Act which provides that "where project assets or income of the project are used in violation of a Regulatory Agreement or any applicable Regulation, HUD may recover double the value of the assets or income."

The Complaint alleges three violations of the National Housing Act. First Unidos allegedly paid the salaries of on-site supervisory employees from Beekman Project funds, when such salaries should have been paid from the management fee. During the relevant period, Unidos had been receiving the maximum allowable management fee. The HUD Management Agent Handbook provides that managing agents must cover the costs of supervising and overseeing project operations out of the management fee, not out of project funds.

Second, Unidos allegedly caused loans made by the Beekman Projects' owners to the project to be repaid from Beekman Projects funds at a time when the projects had negative surplus cash balances. The HUD Management Agent Handbook provides that "Repayments of owner advances when the project is in a non-surplus cash position will subject the owners to criminal and civil monetary penalties."

Third, Unidos allegedly caused its affiliated entity to receive a service fee for investing funds belonging to the Beekman Project. The HUD Handbook provides that fees for overseeing investment of project funds must be paid out of the

management fee.

Mr. COMEY praised the investigative efforts of the Inspector General's Office and the Departmental Enforcement Center at the Department of Housing and Urban Development.

Assistant United States Attorney ROBERT W. SADOWSKI is in charge of the case.

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